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The Director of Central Intelligence

Washington, D.C. 20505

Intelligence Community Staff

DCI/IC-78-0036

July 7, 1978

MEMORANDUM FOR: The Director of Central Intelligence

FROM:

[REDACTED]

Deputy to the DCI for Resource Management

SUBJECT: OMB guidance letter of 3 July 1978

I wanted to sketch for you our initial reactions to the OMB guidance letter and our planned responses to it.

The economic forecast underlying the allowance is bleak, as we expected it would be. My discussions with the OMB staff and with the fiscal policy people at the Congressional Budget Office suggest that pessimism about projected inflation is well-founded; the probability is very low that we can expect that to change in the period during which decisions will be made on the FY 80 budget. So pressures to make the proposed budget restraint stick will be strong.

The projection of the NFIP topline is as expected. The words that accompany the projection are consistent formally with what the President said, although the tone is a little more stringent than I remember the President's to have been.

The new item since our discussions with the President is the manpower ceiling. As I told you, this was expected, but it will perturb the process of program and budget review substantially. In particular, it will disturb the DIA program--where production enhancements calling for augmentation of civilian staff have high priority, the NSA program--where the HF modernization plan calls for [REDACTED] more people, and the CIA program, which is entirely civilian. The fact that manpower will probably be a binding constraint and the shift in the ratio of dollars to people that it implies will require a reordering of some programs. We will try to accommodate this as well as possible in program review, but when interrogated on their likely responses to a manpower cut, each of the program managers has indicated that significant reordering of priorities would follow the imposition of a ceiling. Therefore, the program managers' recommendations represent a moving target for us.

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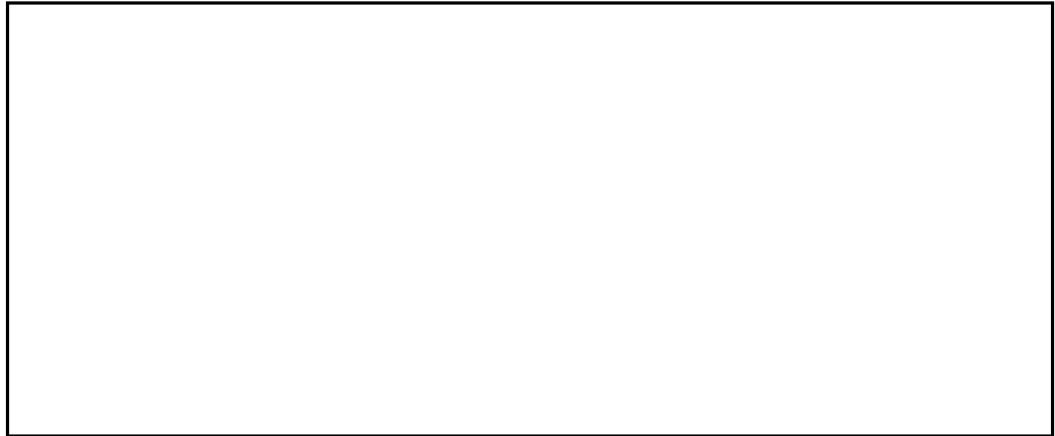
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The allowance letter calls for some special study efforts. Here is what we are doing and plan to do about each of them.

a.



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b. The study of warning of Warsaw Pact attack is [redacted] favorite. My staff has a study under way that will, I believe, address most of these issues. We began a mission analysis of the I&W mission last June, and I have sheltered the people working on it from day-to-day demands in Spring Review and Program Review. I think the methodology they have derived is interesting, and we will brief you on it as soon as it seems appropriate. Beyond that study, we will also want to spend some time fleshing out ideas like those I discussed with you and [redacted] last week: that a major contribution of the Intelligence Community is not simply providing warning that something is going to happen, but rather prompt indication of the likely character, direction, and timing of an attack to support national and theater decisionmaking on the deployment of forces. I think we can have a convincing story and can demonstrate that the OMB focus on the results of NIE 4-1-78 (Warning in Europe) is wrongheaded.

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c. Options to improve intelligence on noncommunist military targets will be harder to provide. We have worked on this a bit, but responsibility for devising a program to improve analysis now resides with NFAC. There is, so far as I can tell, nothing in the current CIA program aimed at such enhancements. There are obvious choices in the NSA and NRO programs that permit a shifting of priorities from military targets to political and economic intelligence: modifications to retain coverage of INTELSAT transmissions, reallocation at the margin of DDO resources, and the possibility of enhancing INR's manpower.

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- d. Overall review of civilian and military space policy is an OMB priority. [ ] of my staff supported the work on PD 37 and is chairing an internal working group to coordinate additional civilian space policy activities on your behalf. I expect to stand in for you at PRC(Space) meetings and on the task force on Strategy to Utilize the Shuttle. The following people will represent you on the other task forces where you have interests:

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[ ] (CTS) - Government and Private Role in Remote Sensing

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[ ] (RMS) - Equipment and Technology Overlap Between Civil, Military, and National Intelligence Space Programs

In addition to the study requirements, the letter also spells out the timetable for the various submissions. This is as expected and causes us no problems. However, you may want to consider a request to some or all Program Managers to submit their budgets in advance of OMB's schedule. [ ] which has obvious advantages, and would give us extra time to consider carefully the major shifts that are likely to be required by the issuance of this formal guidance so late in our review process. If you decide this would be worthwhile, you will, of course, want to discuss it with Secretary Brown.

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When we have the information compiled, I will tell you more about the possible programmatic impacts of the manpower ceiling.

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